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C O N F I D E N T I A L SECTION 01 OF 02 PORT AU PRINCE 000801

SIPDIS

DEPARTMENT PASS AID/LAC

E.O. 12958: DECL: 06/03/2018

TAGS: [EAID](#) [PGOV](#) [HA](#)

SUBJECT: AID/LAC ACTING ASSISTANT ADMINISTRATOR MEETS WITH
PREVAL; OPTS AGAINST USING DOLS 1 MILLION GRANT FOR RICE
SUBSIDY

Classified By: Ambassador Janet A. Sanderson, reason 1.4(b) and (d).

11. (C) Summary. Visiting AID/LAC Acting Assistant Administrator Jose Cardenas met with President Preval May 31 for 45 minutes. During the meeting, the two discussed US emergency food assistance for Haiti. Preval said that he no longer wanted the USG dols 1 million we had identified for his rice subsidy scheme, asking instead that the money be directed into ag development. He discussed his efforts to lift fuel subsidies and the need for increased donor attention to infrastructure, water, and agriculture. Cardenas put down US markers on need to move quickly to form a new government to enable us to continue our close cooperation with Haiti, and on the importance of strong, elected democratic institutions expressing the popular will. He also discussed the formation of the USAID Haiti Task Force. End Summary.

12. (C) AID Acting Assistant Administrator for LAC Jose Cardenas met with Haitian President Preval on May 31, during the A/AA's three-day visit to Port-au-Prince. Ambassador, USAID Director and AID/LAC officer Daniel Bartelle also participated; Preval was accompanied by advisors Paul Denis and Raymond Jeanty. Preval opened the meeting by expressing his deep appreciation for the US commitment of dols 45 million in emergency food assistance announced the previous week by Administrator Fore. He said that US help in addressing this crisis was important. He told Cardenas, however, that he no longer wanted to use the dols 1 million that we had identified for his rice subsidy scheme. He has decided to further subsidize rice and suggested that the money be put into agricultural development.

13. (C) Preval stated that he had spent much of the previous week meeting with "tap-tap" (Haitian public transport) drivers in an effort to convince them that further GOH subsidization of fuel was untenable. In the current economic atmosphere, everyone "must tighten their belts", Preval claimed. Following seven meetings with the drivers, and further discussions with union officials and political party members, Preval believes he has the transport sector on board for an announcement within the week that fuel prices will increase. He reports that the GOH has opted not to increase fuel prices over the past three months, believing that the fragile political environment could not support it. As a result, with world market prices on the upswing, the government expects to incur a dols 50 million bill by the end of the summer if it doesn't let stop fuel subsidies. At the end of the detailed discussion of his negotiations, Preval said he believes that he has support for a "compact" which would spell out some type of way forward for the transport sector. In the meantime, he noted, acquisition of 300 buses

would help the unions provide more efficient service in Port au Prince and lessen the impact of the fuel price rise. He asked us to consider purchasing such busses.

14. (C) Preval beat an old hobbyhorse during the meeting, observing that without adequate infrastructure, much of what he hopes to accomplish in Haiti will not come to fruition. He noted that much of Haiti's mango production headed for export is too badly damaged in transport to meet international export standards. Poorly maintained roads make it difficult for agricultural products to get to market as well. He suggested that Haiti would not be experiencing as much a food crisis if farmers did not have to rely on poor to non-existent transportation networks and asked that the USG look at doing roads.

15. (C) While appreciative of USG support, Preval did not miss the chance to zing his guest on the drug issue, noting ironically if Haiti were a "cocaine producing country," it would get "more money from the US." Deflecting that comment, Cardenas advised Preval of the establishment of AID's Haiti Task Force. He said that this group could bring in a broader cross section of the USG on aid-related issues, and working hand-in-hand with the USAID Mission and the Embassy, might examine ways to "retool" the AID program if necessary as circumstances on the ground evolved. Preval suggested that it look at some of the proposals he made in the meeting, particularly with regard to water and infrastructure.

16. (C) Preval was highly reluctant to engage in any discussion of the current state of play on the nomination.

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A/AA Cardenas took the opportunity of his opening remarks to underscore the importance that we attach to strengthening democratic institutions and maintaining the electoral calendar. Preval made no substantive response and was clearly reluctant to discuss the current state of play of the Bob Manuel nomination for Prime Minister.

17. (C) Comment. Preval's reversal on the rice subsidy is unexpected. Just weeks ago, he made it clear to us that this matter was a make-or-break issue with him. It is hard to believe that he has had a sudden change of heart on subsidies; we think it much more likely that he has found another way to press the rice exporters and beat the market price down. Additionally, the major emergency food commitments from the international community, led by the U.S., has given him some breathing space. His decision to tackle fuel subsidies now is a bold - if inevitable - move, and one that will require careful management. Tap-tap drivers represent a major popular force, and if not mollified, can cause significant disruptions through strikes and slowdowns. However, with the treasury suffering and food prices on the rise, Preval has had little choice in the matter. The subsidies in this instance are simply not sustainable.

18. (U) A/AA Cardenas did not clear this cable before departing Haiti.
SANDERSON